

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)  
INDUSTRIAL DEVELOPMENT REVENUE BOND FINANCING PROGRAM**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

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<b>Applicant:</b>	All Sato Kreis Holding, LLC (Borrower)	<b>Amount Requested:</b>	Not to exceed \$2,500,000
<b>Project User:</b>	Kennfoods USA, LLC dba Latitude 1 (Kennfoods)	<b>Date of Board Meeting:</b>	September 29, 2009
<b>Applicant Description:</b>	Kennfoods custom-processes organic and conventional tree nuts for customers that include: Pepperidge Farm, Clif Bar, General Mills, Nonni's, Kerry Ingredients, Dunkin Brands and Coca Cola.	<b>Resolution</b>	09-38
		<b>Type of Bonds:</b>	New Issue
		<b>Prepared by:</b> Paula Connors and Andrea Kennedy	
<b>Project Site:</b>	843 Performance Drive and 861 Performance Drive, Stockton, California 95206		
<b>Project Description:</b>	The project involves the acquisition, construction, development and equipping of improvements of two structures (one containing 17,000 square feet and one containing 13,000 square feet) on approximately 45,000 square feet of land (Project).		
<b>Uses of Bond Proceeds:</b>	Bond proceeds will be used to finance or refinance the Project and the payment of bond issuance costs.		
<b>Public Benefits:</b>	Kennfoods currently employs eight full-time workers and anticipates hiring an additional 21 full-time workers within two years. The Project is located in a state-designated State Enterprise Zone in an area with an unemployment rate of 176.4% of the 2008 statewide rate of 7.2%, therefore it is likely the new jobs will benefit the residents in or near the zone..		
<b>Financing Structure:</b>			
<b>Type of Issue:</b>		Publicly-offered, variable rate demand bonds issued in minimum denominations of \$100,000 or any multiple of \$5,000 in excess thereof.	
<b>Tax Status:</b>		Tax-exempt industrial development revenue bonds.	
<b>Term:</b>		Not to exceed 30 years.	
<b>Credit Enhancement:</b>		Letter of credit from Bank of the West.	
<b>Credit Rating:</b>		Expected AA-/A-1+ by Standard and Poor's based upon the credit rating of Bank of the West.	
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
Par Amount of Bonds	\$2,500,000	Project Costs	\$3,496,000
Equity Contribution	1,126,020	Costs of Issuance	130,020
<b>TOTAL SOURCES</b>	<b>\$3,626,020</b>	<b>TOTAL USES</b>	<b>\$3,626,020</b>
<b>Financing Team:</b>			
<b>Bond Counsel:</b>		Lofton & Jennings	
<b>Underwriter:</b>		Westhoff, Cone & Holmstedt	
<b>Financial Advisor:</b>		Progressive Capital	
<b>Trustee:</b>		U.S. Bank National Association	
<b>Staff Recommendation:</b>			
Staff recommends approval of Resolution 09-38 for an amount not to exceed \$2,500,000 for All Sato Kreis Holding, LLC.			

## **APPLICANT BACKGROUND AND HISTORY**

All Sato Kreis Holding, LLC (Borrower) and Kennfoods USA, LLC dba Latitude 1 (Kennfoods or User) were incorporated in California on July 24, 2009 and December 19, 2002, respectively.

Kennfoods is owned by Yoshiko Sato (51%), Richard Kreis (35%) and Takeko Sato (14%). Kennfoods processes organic and conventional tree nuts such as cashews, macadamias, almonds, pecans, pistachios and walnuts. Kennfoods procures the nuts and other raw ingredients, and cleans, roasts, dices and packages them. Products are certified organic and Kosher, and are therefore subject to annual third-party inspections. Major customers include bakeries, such as Pepperidge Farms and Nonni's, and beverage and snack-food manufacturers, such as General Mills, Clif Bar, Dunkin Brands and Coca Cola.

## **PROJECT DESCRIPTION**

Kennfoods has leased a 7,600 square foot building in the City of San Leandro since 2006. Kennfoods has outgrown this location and has been unable to find a suitable facility to house its expanded production in San Leandro. Kennfoods has found a location in Stockton for the Project that meets its space needs and provides a location closer to the local nut growers.

Bond proceeds will be used to finance the acquisition of two new adjacent commercial buildings totally approximately 30,000 square feet; the construction of a loading dock between the two buildings; addition of new doors and windows, floor drains; installation of insulation and solar panels on the roof; and build out of offices and located at 843 Performance Drive and 861 Performance Drive, Stockton, California 95206. The project also involves the purchase of processing equipment which includes a commercial dry roaster, oil roaster, oil conditioner, cooling and seasoning drum, sterilizing equipment and other supporting equipment. The Borrower is making an equity contribution of \$1.126 million to offset the acquisition cost of the building.

The Project is anticipated to be completed in January 2010.

## **FINANCING STRUCTURE**

All Sato Kreis Holding, LLC is requesting the issuance of variable rate tax-exempt bonds in an aggregate amount not to exceed \$2,500,000 (Bonds). Payment of principal and interest on the Bonds will be backed by a letter of credit from Bank of the West to be executed simultaneously with the issuance of the Bonds. The Bonds are expected to be rated AA-/A-1+ by Standard & Poor's based upon the letter of credit provider's credit rating.

In no event shall the Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Bonds. The Bonds shall constitute a special obligation of the I-Bank, payable solely from revenues consisting of repayments of a

loan provided for in a loan agreement between the I-Bank and All Sato Kreis Holding, LLC.

## CIDFAC SCORING/PUBLIC BENEFITS

The Project received private activity bond allocation from California Industrial Development Financing Advisory Commission (CIDFAC) on September 23, 2009, receiving 31 points based on CIDFAC's scoring criteria summarized below:

### SCORING

EVALUATION SCORING		
Point Criteria	Maximum Points Allowed	Points Scored
Community Economic Need:	10	10
1. Unemployment Rate of Project Area		
2. Poverty Rate of Project Area	5	5
3. Special Designation Area	5	5
4. Median Family Income of Project Area	5	5
Job Creation Ratio (1/\$57,143)	25	0
Welfare to Work Program Participation	5	0
Health Care Benefits	5	0
Average Hourly Wage	5	1
Land Use	5	0
Transit Corridor	5	5
Energy Efficiency	5	0
Leveraging	5	0
<b>Total Points</b>	<b>85</b>	<b>31</b>

### DESCRIPTION OF PUBLIC BENEFITS

Projects are required to provide a public benefit. The Project is expected to provide the following public benefits:

- Kennfoods currently employs eight full-time workers and anticipates hiring an additional 21 full-time workers within two years.
- The Project will be located in a state-designated State Enterprise Zone in an area with an unemployment rate of 176.4% of the 2008 statewide rate of 7.2%, a poverty rate of 248% of the statewide rate of 10.6% and median family income of less than 72.9% of the statewide average. Because of its location in a Enterprise Zone, there is a likelihood that potential new employees will be residents in or near the Zone. It is state policy to direct private investment to Enterprise Zones, which provide an integrated, comprehensive approach to economic development in areas with demonstrated need for types of jobs created by Kennfoods.

Kennfoods is relocating from the City of San Leandro to the City of Stockton. Consistent with the I-Bank's policies, the Project's public benefits outweigh the negative

impacts created from the company moving to Stockton from the City of San Leandro. The City of San Leandro Business Community and Economic Development Agency has provided a letter acknowledging the company was unable to find a suitable expansion site in the City of San Leandro. The letter indicated that City of San Leandro is pleased Kennfoods has selected a site that will provide job retention for its current employees and new employment opportunities in the City of Stockton.

## OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Building permits are required and have been obtained for the renovation of an existing facility.
TEFRA	
Date of TEFRA:	September 16, 2009
Publications:	<i>The Sacramento Bee</i> <i>The Record</i>
Any Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Legal Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> <li>1. The project is in the State of California.</li> <li>2. Borrower is capable of meeting its obligations incurred under the proposed loan agreement, and, in particular as to its loan repayment obligations which secure the bonds, as a result of providing a direct-pay letter of credit from Bank of the West with a rating sufficient to obtain the anticipated rating on the bonds.</li> <li>3. Payments to be made by Borrower to the I-Bank under the proposed loan agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the bonds.</li> <li>4. The proposed financing is appropriate for the Project.</li> <li>5. The Project is consistent with any existing local or regional comprehensive plans.</li> </ol>
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES Certificate No.: C-09-0005 Amended <input type="checkbox"/> N/A Date: August 26, 2009

## RECOMMENDATION

Staff recommends approval of Resolution 09-38 for the issuance of conduit revenue bonds in an amount not to exceed \$2,500,000 for All Sato Kreis Holding, LLC.

## APPENDIX A

